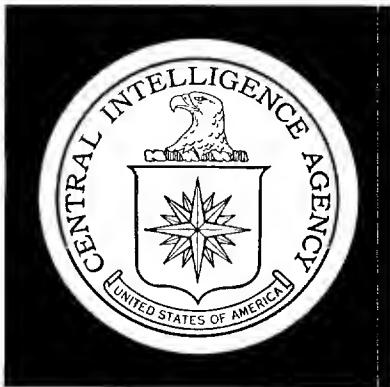


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DIRECTORATE OF
INTELLIGENCE

Central Intelligence Bulletin

Secret

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20 November 1970

State Dept. review completed

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Approved For Release 2003/10/01 : CIA-RDP79T00975A017600050001-1

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Approved For Release 2003/10/01 : CIA-RDP79T00975A017600050001-1

No. 0278/70
20 November 1970

Central Intelligence Bulletin

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CAMBODIA - SOUTH VIETNAM: Economic negotiations between the two countries have been suspended without agreement on major issues.

The talks, which began on 9 November in Saigon, reached an impasse when the South Vietnamese cabinet withheld approval of agreements covering trade because the negotiators had failed to adopt an acceptable piaster-riel exchange rate. Saigon also pressed for a Cambodian contribution of over \$38 million to help defray the costs of South Vietnamese military operations in Cambodia, possibly as a bargaining ploy designed to achieve a better negotiating position on other issues. The South Vietnamese insisted that the issue be tied to the disposition of common assets of the former Indochinese states currently held in foreign banks.

A second round of talks has been tentatively scheduled for Phnom Penh. Agreements reached in Saigon covering use of land routes, delineation of the border for customs purposes, post and telecommunications, and tourism presumably will be formally signed at that time. Another effort to find a compromise solution to the tougher issues may be undertaken then. Some Cambodian leaders are already hypercritical of their South Vietnamese allies and Saigon's hard-nosed economic bargaining will not sit well in Phnom Penh.

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TURKEY: Student unrest, which has intermittently plagued major urban centers for the past several years, has again broken out in Istanbul.

A clash at Istanbul University on Tuesday between left and right extremist students resulted in an exchange of gunfire during which two students and one policeman were injured. University officials then closed the school but it apparently will reopen next week. Although student groups in Istanbul have clashed since classes were resumed following the summer recess, this was the first involving serious violence.

Student protests last weekend at Robert College and Istanbul University had both anti-establishment and anti-American overtones. One group of demonstrators charged that the American-sponsored Robert College is a "base of American cultural imperialism"; others bore placards damning America and passed out leaflets calling for support for all "reformist" forces.

The unrest at Robert College is compounded by a power struggle between two leftist factions. It is feared that American members of the college's administrative board will continue as targets for the students. Furthermore, it has become apparent that a small minority of students is bent on destroying Robert College regardless of the outcome of the surface issues.

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LATIN AMERICA: Chile's resumption of diplomatic relations with Havana has prompted several other countries to seek a re-evaluation of hemisphere policy toward Cuba.

The Colombian foreign minister is sounding out other governments as to whether the OAS should reconsider its 1964 resolution that resulted in the isolation of Cuba by member states. Mexico was the only country that refused to comply with the resolution, but Chile was the first to disregard it when ties with Havana were resumed on 12 November.

The Uruguayan foreign minister believes Chile's action threatens the "credibility of all inter-American obligations." He is worried that other Latin American countries may also recognize Cuba unless a majority in the OAS reaffirms the 1964 resolution. Peruvian President Velasco, for example, reportedly favors an OAS review of the Cuba issue, but he might eventually initiate diplomatic or commercial relations if no OAS action is taken. Mexican Foreign Minister Carrillo Flores is pleased that Chile has renewed relations with Cuba, and has implied that his country would vote to seat Cuba in the OAS if the matter comes up.

Unless Havana publicly renounces its role as an "exporter of revolution," which it flatly refuses to do, a majority of OAS members probably would uphold the 1964 resolution if it ever came to a vote. A number of countries, however, prefer to avoid a public re-examination of Cuba's revolutionary role, fearing it would aggravate divisions within the organization.

Cuba has indicated a willingness to consider bilateral relations with those countries that publicly disavow the OAS sanctions, but has vehemently rejected resumption of participation in the OAS as long as the US retains membership. [redacted]

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CHILE: The Allende government is running into its first challenges.

The government faces a dilemma in handling occupation of urban land by squatters and the seizure of new but unoccupied housing, which had been assigned to and paid for by lower class workers. In the Santiago area more than 4,000 dwelling units have been seized since the 4 September election. On 17 November, protesting homeowners stopped traffic on a major highway out of the city for 24 hours. The government negotiated a truce, but it is still faced with mobs of squatters, its own promise to resolve the critical housing shortage quickly, and the need for unpopular measures to enforce the law and the homeowners' claims.

Some Christian Democratic Party (PDC) activists are promoting the takeovers, a tactic used frequently by the Marxists against the Frei government. The PDC is fighting to retain political influence among the urban poor, where it has long contended strongly against the Communists and Socialists. The Communist Party is particularly concerned about the seizures, and its members in the administration have moved quickly to offset the effect of the seizures by meeting with the squatters and initiating self-help programs.

Another potentially embarrassing situation was created on 18 November when 9,000 workers at the large El Teniente copper mine demanded a 70-percent increase in pay and benefits. The mine is now 51-percent owned by the Chilean Government and is marked for rapid nationalization. These demands are double the cost-of-living increase so far this year, and are much higher than the gains recently won by workers at the other large copper complex. Most Chilean labor unions are dominated by the Socialists and Communists and have been unusually quiescent since Allende came to power. [redacted]

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ARGENTINA: President Levingston in a major policy speech has reiterated that the military will remain in power for four to five more years.

In a closed-door session on 16 November, Levingston told some 2,000 top military officers that the armed forces must provide the continuity of leadership that will enable Argentina to deal with its neighbors--Chile, Peru, Bolivia, and Uruguay--that are in danger of succumbing to "socialist pressures." He stressed that Argentina must now demonstrate that "democracy" is the best system for meeting the problems common to the area.

On the domestic scene, the President upheld the right of labor to take action to improve working conditions, but stated that the general strikes of the past two months were the result of labor "meddling in politics." In this regard, he said that a decree would soon be issued outlawing political activity by labor unions and that steps would be taken to stop contact between former president Juan Peron in Spain and top Peronist leaders in Argentina.

The officers of the three services were also told that a new development plan would be unveiled in December that would offer "excellent" incentives to foreign investment as long as it contributes to national development and does not seek "exorbitant" benefits and profits.

The reaction of the military officers to Levingston's policy briefing reportedly was highly favorable, and US Embassy sources believe that the speech helped to unite the military more firmly behind the President.

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NATO: Most of the Allies now doubt that conditions will be ripe by the NATO ministerial meeting on 3-4 December to move toward multilateral exploration of a conference on European security (CES).

The Allies feel that the Berlin negotiations hold the main key to a decision to proceed from the bilateral explorations that have been taking place to multilateral talks. It is now generally anticipated that there will not be sufficient progress recorded on the Berlin problem before the ministerial meeting. Attempting to keep developments in the next two weeks from inspiring diverse assessments of "progress" in the Berlin talks, the UK, France, US, and West Germany have agreed to provide the other Allies with much more information on the talks in the next two weeks.

A number of Allies might be susceptible to last-minute developments which could renew pressures for multilateral talks on CES because there remains a good deal of latent support for the CES concept. Some Allies additionally feel that, desirable or not, a security conference is inevitable, and that the Alliance should prepare to make the most of it.

Support is growing, meanwhile, for a West German proposal that the Allies take a new initiative on mutual and balanced force reductions (MBFR) at the ministerial. Bonn has told the Allies that it favors a response to the Warsaw Pact offer to consider talks with NATO aimed at reductions of "foreign" forces in Europe. The Germans have proposed that the ministerial communiqué state NATO's willingness to explore the Pact approach, with the caveat that reductions of foreign forces be tied directly to eventual cutbacks of indigenous forces. Bonn does not want the Alliance to move to actual MBFR negotiations, however, until a Berlin settlement is reached and other talks reveal a serious Eastern bloc interest in substantive negotiations.

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ITALY: Prime Minister Colombo's four-party coalition is under severe strain.

The government's major economic bill, which is designed to ensure a dependable economic base for its social reform program, is close to being stalled in the legislature. Most Christian Democrats, Republicans, and Unitary Socialists want to push the measure through the Chamber, with night sessions if necessary, to give the Senate time to act before expiration on 26 December of the temporary decree which the bill is to confirm. The Socialists favor a more temporizing policy which would permit acceptance of some Communist amendments before disposing of the many amendments offered by the ultraleft opposition.

Compromise in this manner with the Communists would hold risks for the economic stabilization features of the bill. Although the government has the votes to force the measure through on a motion of confidence, such a procedure would, at the very least, deepen existing divisions within the coalition. These center on the attitudes of the various partners toward a greater role for the Communists (PCI) in the national political arena.

This question assumes increasing importance to politicians with the approach of the presidential election in 1971. Christian Democratic and Socialist contenders for the office are courting Communist support. In addition, a number of Socialists and left-wing Christian Democrats see merit in a future political grouping which would include a reformed Communist Party. Many government party leaders consequently are reluctant to back a vote of confidence, which would draw clear battle lines between the center-left and the PCI.

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For its part, the PCI has increased its participation in local and regional government over the past year. In recent public speeches some party leaders have expressed their interest in steadily enlarging the party's political role at the national level. [redacted]

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HAITI: President Duvalier, recently rumored to be seriously ill, observed the armed forces day parade Wednesday from the balcony of his office rather than from his usual place of honor on the reviewing stand. Moreover, he remained seated throughout most of the hour-long ceremony. The US Embassy takes this as evidence that his physical condition has deteriorated.

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BOLIVIA: The Torres government has capitulated to the tin miners by agreeing to restore the inflated pay scales that had been terminated in 1965. This pay system encouraged corruption and nearly bankrupted the State Mining Company (COMIBOL) during 1952-65, and its elimination was one of the Barrientos government's major economic accomplishments. The change is likely to lead to renewed deficits for COMIBOL and also weaken government finances generally as similar wage demands are made on other state enterprises. Of the estimated funds necessary to finance the increased labor costs, approximately 42 percent is to be provided by COMIBOL bookkeeping transfers, 32 percent by reduction of other costs by COMIBOL, and 26 percent by government funding.

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VENEZUELA-COLOMBIA: Representatives of the two countries have opened the third round of discussions to settle outstanding problems, including delineation of continental shelf boundaries in the potentially oil-rich Gulf of Venezuela. Venezuela believes the Gulf could contain as much as 125 billion barrels of oil, some eight times the country's proved reserves. Colombia is much more eager to exploit oil resources in the Gulf because its production is expected to decline in the next few years and threatens to fall short of meeting even domestic needs by 1974. Although talks on the boundary issue began in 1965, no apparent progress has been made toward a solution.

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EL SALVADOR: The government has liberalized restrictions on profit remittances for foreign investors in an effort to stimulate lagging investment. The decree, which puts an end to limiting annual remittances to ten percent of investment value for manufacturing, extractive, and tourist enterprises, was prompted by concern about the fall in private investment since the 1969 conflict with Honduras. Although the previous restrictions apparently did not deter investment, their removal has symbolic value in improving the investment climate. At the same time, the decree could eventually become an embarrassment to the Sanchez government if economic nationalism becomes an issue.

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EUROPEAN COMMUNITIES - US: The community is again considering Commission proposals that would tax the EC's soybean and soybean product imports, of which those from the US currently run over \$500 million annually. This move would have the effect of reminding Washington of possible retaliation if pending US protectionist legislation is passed. The proposals had dropped from view after strong US protests in October 1969 but showed up on the agenda of a community agricultural committee this week, when they were reportedly strongly favored by the French and Italians and opposed by the Germans and Dutch. The Germans said they would withdraw their opposition if the Mills bill were passed. Whether or not agreement is reached in further discussions of the agriculture committee, the matter may be brought before the EC Council in December or January.

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